

CITY OF LOGAN

**INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2015

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City of Logan

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mike Foutch	Mayor	January 2016
Bill Dewitt	Council Member	January 2016
Lori Cohrs	Council Member	January 2018
Jason Sporrer	Council Member	January 2016
Angela Winther	City Clerk	Indefinite
Marilyn Keizer	Deputy Clerk	Indefinite
Derrick Franck	Attorney	Indefinite



Diane McGrain, CPA
Jim Menard, CPA

September 14, 2015

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of City of Logan, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Continued...

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September 14, 2015
City of Logan
Independent Auditors' Report

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, and each major fund of City of Logan as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 5 to the financial statements, City of Logan adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Logan's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the six years ended June 30, 2011 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 7 through 11 and 29 through 33, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Continued...

September 14, 2015
City of Logan
Independent Auditors' Report

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2015 on our consideration of City of Logan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Logan's internal control over financial reporting and compliance.

Schaefer & Associates, PC

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Logan, we offer readers of the City of Logan's financial statements this narrative overview and analysis of the financial activities of the City of Logan for the fiscal year ending June 30, 2015. This section should be read in conjunction with the financial statements and the accompanying notes that follow.

2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased by 4.74%, or approximately \$61,000 from fiscal 2014 to fiscal 2015. Property taxes decreased approximately \$50,000.
- Disbursements increased 19.6%, or approximately \$228,000 from 2014 to 2015. Public works increased approximately \$104,000 and culture and recreation increased approximately \$94,000.
- The City's total cash basis net position decreased by approximately \$79,000 from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities decreased \$157,000 and the cash basis net position of the business type activities increased by \$78,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitation resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water works and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The city has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund, and 4) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased \$157,192. The analysis that follows focuses on the changes in cash basis net position.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service	\$ 94,134	103,481
Operating grants, contributions and restricted interest	494,292	500,305
General receipts:		
Property tax	545,800	595,145
Local option sales tax	98,459	95,379
Grants and contributions not restricted to specific purposes	3,395	3,862
Other	500	-
Unrestricted interest on investments	360	325
Total receipts	<u>1,236,940</u>	<u>1,298,497</u>
Disbursements:		
Public safety	237,643	241,604
Public works	329,761	225,867
Health and social services	4,850	4,375
Culture and recreation	306,938	213,300
Community and economic development	186,991	170,059
General government	165,467	147,810
Debt service	162,482	162,989
Total disbursements	<u>1,394,132</u>	<u>1,166,004</u>
Change in cash basis net position	(157,192)	132,493
Cash basis net position beginning of year	<u>617,654</u>	<u>485,161</u>
Cash basis net position end of year	<u>\$ 460,462</u>	<u>617,654</u>

The total receipts for governmental activities decreased \$61,557. The total cost of all programs and services increased by \$228,128. The significant decrease in receipts was due to a decrease of \$49,345 in property taxes from the prior year.

The cost of all governmental activities this year was \$1,394,132 compared to \$1,166,004 last year.

As shown in the Cash Basis Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was \$805,706, due to costs paid by those directly benefited from the programs (\$94,134) or by other governments, organizations that subsidized certain programs with grants, contributions and restricted interest (\$494,292).

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 318,739	324,273
Sewer	204,022	208,606
General receipts:		
Unrestricted interest on investments	479	639
Total receipts	<u>523,240</u>	<u>533,518</u>
Disbursements:		
Water	281,539	301,233
Sewer	163,124	184,411
Total disbursements	<u>444,663</u>	<u>485,644</u>
Change in cash basis net position	78,577	47,874
Cash basis net position beginning of year	<u>422,184</u>	<u>374,310</u>
Cash basis net position end of year	<u>\$ 500,761</u>	<u>422,184</u>

Total business type activities receipts for the fiscal year were \$523,240 compared to \$533,518 last year. This decrease was due to less usage. The cash balance increased by \$78,577. Total disbursements for the fiscal year were \$444,663 compared to \$485,644 last year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Logan completed the year, its governmental funds reported a combined fund balance of \$460,462, a decrease of \$157,192 from last year. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance at the end of the year was \$130,282, a decrease of \$124,524 from the prior year. The decrease was due to spending more on playground equipment, painting the pool, cemetery donations, community center improvements from the Miles Barnhart donation, and mosquito control expenses. The decrease was also due to less received in pool fees, donations and property taxes.
- The Special Revenue, Employee Benefit Fund cash balance increased \$6,958 to \$36,858.
- The Special Revenue, Road Use Tax Fund cash balance at the end of the fiscal year was \$28,494, a decrease of \$35,062 from the prior year. The decrease was due to spending \$50,000 on street paving.
- The Special Revenue, Local Option Sales Tax Fund cash balance decreased by \$3,076, from \$220,636 to \$217,560 due to unspent tax receipts.
- The Special Revenue, Housing Fund decreased \$2,025 to a cash balance of \$0.
- The Debt Service Fund balance was (\$2,732), an increase of \$537 from the prior year.
- The Permanent, Library Foundation Fund cash balance remained at \$50,000.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$37,696 to \$343,700. This increase was due to spending less on maintenance than the previous two years.
- The Enterprise, Sewer Fund cash balance increased by \$40,898 to \$157,061. This increase is due to spending less on maintenance than the previous two years.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City budget was amended two times for a total increase of \$156,106 for disbursements. The City's receipts were \$17,661 less than budgeted. The City's disbursements were \$150,037 less than budgeted. The City spent less than planned on Community Center improvements, legal/audit, street repairs and maintenance, water maintenance and pool salaries.

DEBT ADMINISTRATION

At June 30, 2015, the City had approximately \$1,744,000 in bonds and other long-term debt, compared to approximately \$1,942,000 last year as shown below:

Outstanding Debt at Year End (Expressed in Thousands)		
	Year ended June 30,	
	2015	2014
General obligation notes	\$ 1,271	1,401
Revenue notes	473	541
	<u>\$ 1,744</u>	<u>1,942</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,260,000 is below its constitutional debt limit of approximately \$3,100,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Logan's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates, and fees that will be charged for various City activities.

In particular, the City budgeted more for street paving, capital equipment purchases for road use, and community center improvements with the Miles Barnhart donation. In addition, the City taxed the full liability for employee benefits.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Angela Winther, City Clerk, 108 West 4th Street, Logan, Iowa.

City of Logan

City of Logan
Basic Financial Statements

City of Logan
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2015

Functions/Programs:	Disbursements	Program Receipts		Net (Disbursement) Receipts and Changes in Cash Basis Net Position		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities:						
Public safety	\$ 237,643	7,537	4,349	(225,757)	-	(225,757)
Public works	329,761	42,138	159,509	(128,114)	-	(128,114)
Health and social services	4,850	-	-	(4,850)	-	(4,850)
Culture and recreation	306,938	44,121	85,619	(177,198)	-	(177,198)
Community and economic development	186,991	-	177,129	(9,862)	-	(9,862)
General government	165,467	338	67,686	(97,443)	-	(97,443)
Debt service	162,482	-	-	(162,482)	-	(162,482)
Total governmental activities	1,394,132	94,134	494,292	(805,706)	-	(805,706)
Business type activities:						
Water	281,539	318,739	-	-	37,200	37,200
Sewer	163,124	204,022	-	-	40,898	40,898
Total business type activities	444,663	522,761	-	-	78,098	78,098
Total	\$ 1,838,795	616,895	494,292	(805,706)	78,098	(727,608)
General Receipts:						
Property tax levied for:						
General purposes				468,953	-	468,953
Debt service				76,847	-	76,847
Local option sales tax				98,459	-	98,459
Grants and contributions not restricted to specific purpose				3,395	-	3,395
Sale of general fixed assets				500	-	500
Unrestricted interest on investments				360	479	839
Total general receipts				648,514	479	648,993
Change in cash basis net position				(157,192)	78,577	(78,615)
Cash basis net position beginning of year				617,654	422,184	1,039,838
Cash basis net position end of year				\$ 460,462	500,761	961,223
Cash Basis Net Position						
Restricted:						
Nonexpendable:						
Library endowment				\$ 50,000	-	50,000
Expendable:						
Streets				28,494	-	28,494
Employee benefits				36,858	-	36,858
Local option purposes				217,560	-	217,560
Unrestricted				127,550	500,761	628,311
Total cash basis net position				\$ 460,462	500,761	961,223

See notes to financial statements.

City of Logan
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2015

	General	Special Revenue					Permanent	Total
		Road Use Tax	Employee Benefits	Local Option Sales Tax	Housing	Debt Service	Library Endowment	
Receipts:								
Property tax	\$ 292,427	-	105,315	-	-	74,816	-	472,558
Other city tax	68,346	-	2,865	98,459	-	2,031	-	171,701
Licenses and permits	5,167	-	-	-	-	-	-	5,167
Use of money and property	9,954	-	-	115	-	-	-	10,069
Intergovernmental	16,792	159,509	-	-	177,129	-	-	353,430
Charges for service	86,259	-	-	-	-	-	-	86,259
Miscellaneous	137,256	-	-	-	-	-	-	137,256
Total receipts	616,201	159,509	108,180	98,574	177,129	76,847	-	1,236,440
Disbursements:								
Operating:								
Public safety	194,473	-	40,670	2,500	-	-	-	237,643
Public works	51,155	194,571	23,057	60,978	-	-	-	329,761
Health and social services	4,850	-	-	-	-	-	-	4,850
Culture and recreation	293,017	-	11,921	2,000	-	-	-	306,938
Community and economic development	410	-	-	-	186,581	-	-	186,991
General government	140,278	-	25,189	-	-	-	-	165,467
Debt service	-	-	-	-	-	162,482	-	162,482
Total disbursements	684,183	194,571	100,837	65,478	186,581	162,482	-	1,394,132
Excess (deficiency) of receipts over (under) disbursements	(67,982)	(35,062)	7,343	33,096	(9,452)	(85,635)	-	(157,692)
Other financing sources (uses):								
Sale of general fixed assets	500	-	-	-	-	-	-	500
Transfers in	385	-	-	-	7,427	86,172	-	93,984
Transfers out	(57,427)	-	(385)	(36,172)	-	-	-	(93,984)
Total other financing sources (uses)	(56,542)	-	(385)	(36,172)	7,427	86,172	-	500
Change in cash balances	(124,524)	(35,062)	6,958	(3,076)	(2,025)	537	-	(157,192)
Cash balances beginning of year	254,806	63,556	29,900	220,636	2,025	(3,269)	50,000	617,654
Cash balances end of year	\$ 130,282	28,494	36,858	217,560	-	(2,732)	50,000	460,462
Cash Basis Fund Balances								
Nonspendable								
Library endowment	\$ -	-	-	-	-	-	50,000	50,000
Restricted for:								
Streets	-	28,494	-	-	-	-	-	28,494
Employee benefits	-	-	36,858	-	-	-	-	36,858
Local option purposes	-	-	-	217,560	-	-	-	217,560
Unassigned	130,282	-	-	-	-	(2,732)	-	127,550
Total cash basis fund balances	\$ 130,282	28,494	36,858	217,560	-	(2,732)	50,000	460,462

See notes to financial statements.

City of Logan
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2015

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 285,702	201,074	486,776
Miscellaneous	<u>33,037</u>	<u>2,948</u>	<u>35,985</u>
Total operating receipts	318,739	204,022	522,761
Operating disbursements:			
Business type activities	<u>281,539</u>	<u>85,385</u>	<u>366,924</u>
Excess of operating receipts over operating disbursements	37,200	118,637	155,837
Non-operating receipts (disbursements):			
Interest on investments	479	-	479
Debt service	<u>-</u>	<u>(77,739)</u>	<u>(77,739)</u>
Total non-operating receipts (disbursements)	<u>479</u>	<u>(77,739)</u>	<u>(77,260)</u>
Change in cash balances	37,679	40,898	78,577
Cash balances beginning of year	<u>306,021</u>	<u>116,163</u>	<u>422,184</u>
Cash balances end of year	\$ <u>343,700</u>	<u>157,061</u>	<u>500,761</u>
Cash Basis Fund Balances			
Unrestricted	\$ <u>343,700</u>	<u>157,061</u>	<u>500,761</u>

See notes to financial statements.

City of Logan
Notes to Financial Statements
June 30, 2015

NOTE (1) Summary of Significant Accounting Policies

The City of Logan is a political subdivision of the State of Iowa located in Harrison County. It was first incorporated in 1919 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Logan has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Harrison County Assessor's Conference Board, Harrison County Emergency Management Commission, Harrison County Landfill, and Logan Fire and Rescue.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Logan
Notes to Financial Statements
June 30, 2015

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies, and other receipts not allocated by law or contractual agreement to some other fund, are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefit Fund is used to account for property tax and other receipts to be used for employee pensions and other benefits.

City of Logan
Notes to Financial Statements
June 30, 2015

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

Special Revenue - Continued:

The Local Option Sales Tax Fund is used to account for the collection of local option sales taxes to be spent for infrastructure, including, but not limited to, streets, sewer, water, and community betterment.

The Housing Fund is used to account for grant proceeds to be used for the rehabilitation of single family housing units.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

Permanent:

The Library Foundation Fund is used to account for resources that are legally restricted to the extent that only earnings and not the principal may be used to support library activities.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Logan maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

City of Logan
Notes to Financial Statements
June 30, 2015

NOTE (1) Summary of Significant Accounting Policies – Continued

C. Measurement Focus and Basis of Accounting - Continued

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements did not exceed the amended amounts budgeted.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2013, to compute the amounts which became liens on property on July 1, 2014. These taxes were due and payable in two installments on September 30, 2014 and March 31, 2015, at the Harrison County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

City of Logan
Notes to Financial Statements
June 30, 2015

NOTE (2) Cash and Pooled Investments - Continued

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$961,223 at June 30, 2015.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 3, as amended by Statement No. 40.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

NOTE (3) Notes Payable

Annual debt service requirements to maturity of general obligation and revenue notes are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 139,126	23,819	71,000	8,278	210,126	32,097
2017	129,557	20,825	74,000	7,035	203,557	27,860
2018	132,036	18,346	77,000	5,740	209,036	24,086
2019	134,561	15,821	80,000	4,393	214,561	20,214
2020	137,136	13,246	84,000	2,993	221,136	16,239
2021-2025	598,983	27,503	87,000	1,521	685,983	29,024
	<u>\$ 1,271,399</u>	<u>119,560</u>	<u>473,000</u>	<u>29,960</u>	<u>1,744,399</u>	<u>149,520</u>

Interest costs paid during the year ended June 30, 2015 totaled \$31,325.

The Code of Iowa requires that principal and interest on general obligation notes be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$3,100,000 which was not exceeded during the year ended June 30, 2015.

City of Logan
Notes to Financial Statements
June 30, 2015

NOTE (3) Notes Payable - Continued

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,210,000 of sewer revenue notes issued in July 2001. Proceeds from the notes provided financing for the construction of improvements to the sewer lagoon. The notes are payable solely from sewer customer net receipts and are payable through 2021. Annual principal and interest payments on the notes are expected to require less than 70% of net receipts. The total principal and interest remaining to be paid on the notes is \$502,960. For the current year, principal and interest paid and total customer net receipts were \$77,468 and \$118,637, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.

NOTE (4) Lease Agreement

In April 1989, the City entered into a cancelable lease agreement for a tract of land for the purpose of accessing and establishing water wells on said property for the annual sum of \$2,400 and continuing each year thereafter as long as the well site is being used by the City. Rental expense for the year ended June 30, 2015 was \$2,400.

NOTE (5) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules there under. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

City of Logan
Notes to Financial Statements
June 30, 2015

NOTE (5) Pension Plan – Continued

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$38,256.

City of Logan
Notes to Financial Statements
June 30, 2015

NOTE (5) Pension Plan – Continued

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$119,325. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was .0030064 percent, which was a decrease of .0004655 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$13,304, \$8,008 and \$83,781 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

City of Logan
Notes to Financial Statements
June 30, 2015

NOTE (5) Pension Plan – Continued

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability	\$ 302,818	\$ 119,325	\$ (35,482)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

City of Logan
Notes to Financial Statements
June 30, 2015

NOTE (6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time termination payments payable to employees at June 30, 2015, primarily relating to the General Fund is \$15,398. This liability is computed on rates of pay effective as of June 30, 2015.

NOTE (7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue Employee Benefit	\$ 385
Special Revenue Housing	General	7,427
Debt Service	General	50,000
	Special Revenue: Local Option Sales Tax	<u>36,172</u>
		<u>86,172</u>
		\$ <u>93,984</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

NOTE (8) Risk Management

The City is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE (9) Related Party Transactions

The City has business transactions between City and City officials totaling \$10,217 during the year ended June 30, 2015.

NOTE (10) Deficit Balance

The Debt Service Fund had a deficit balance of \$2,732 at June 30, 2015. The deficit will be eliminated by a fund transfer.

City of Logan
Notes to Financial Statements
June 30, 2015

NOTE (11) Commitments

Cleaning Services Agreement

The City has contracted for cleaning services for \$11,660 for the year ended June 30, 2016.

Other Information

City of Logan
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Other Information
 Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts						
Property tax	\$ 472,558	-	472,558	464,879	464,879	7,679
Other city tax	171,701	-	171,701	111,429	111,429	60,272
Licenses and permits	5,167	-	5,167	59,425	68,675	(63,508)
Use of money and property	10,069	479	10,548	9,050	10,525	23
Intergovernmental	353,430	-	353,430	242,339	352,583	847
Charges for service	86,259	486,776	573,035	609,800	591,150	(18,115)
Miscellaneous	137,256	35,985	173,241	192,735	178,100	(4,859)
Total receipts	1,236,440	523,240	1,759,680	1,689,657	1,777,341	(17,661)
Disbursements						
Public safety	237,643	-	237,643	249,285	246,696	9,053
Public works	329,761	-	329,761	301,053	350,764	21,003
Health and social services	4,850	-	4,850	4,675	4,850	-
Culture and recreation	306,938	-	306,938	382,725	364,335	57,397
Community and economic development	186,991	-	186,991	192,964	193,000	6,009
General government	165,467	-	165,467	122,470	176,375	10,908
Debt service	162,482	-	162,482	161,882	162,482	-
Business type activities	-	444,663	444,663	417,672	490,330	45,667
Total disbursements	1,394,132	444,663	1,838,795	1,832,726	1,988,832	150,037
Excess (deficiency) of receipts over (under) disbursements	(157,692)	78,577	(79,115)	(143,069)	(211,491)	132,376
Other financing sources, net:	500	-	500	-	500	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(157,192)	78,577	(78,615)	(143,069)	(210,991)	132,376
Balances beginning of year	617,654	422,184	1,039,838	913,046	913,046	126,792
Balances end of year	\$ 460,462	500,761	961,223	769,977	702,055	259,168

See accompanying independent auditors' report.

City of Logan
Notes to Other Information – Budgetary Reporting
June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$156,106. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements did not exceed the amended budgeted amounts.

City of Logan
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employee's Retirement System
Last Fiscal Year*
(In Thousands)
Other Information

City's proportion of the net pension liability	0.003006 %
City's proportionate share of the net pension liability	\$ 119
City's covered-employee payroll	\$ 345
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	34.49%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditors' report.

City of Logan
Schedule of City Contributions
Iowa Public Employee's Retirement System
Last 10 Fiscal Years
(In Thousands)
Other Information

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 38	32	29	29	28	26	23	22	21	20
Contributions in relation to the statutorily required contribution	38	32	29	29	28	26	23	22	21	20
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 412	345	320	331	319	309	317	316	298	294
Contributions as a percentage of covered-employee payroll	9.30%	9.30%	9.20%	8.68%	8.92%	8.39%	7.38%	6.85%	6.78%	6.87%

See accompanying independent auditors' report.

City of Logan
Notes to Other Information – Pension Liability
Year Ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Supplementary Information

City of Logan
Schedule of Indebtedness
Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds and notes:									
GO aquatic center note	Sept 15, 2008	1.904%	1,500,000	\$ 1,093,126	-	88,874	1,004,252	25,336	-
GO aquatic center note	Feb 19, 2009	1.904%	400,000	284,711	-	29,564	255,147	6,608	-
Truck note	Jul 7, 2010	4.750%	50,000	23,063	-	11,063	12,000	1,037	-
				<u>\$ 1,400,900</u>	<u>-</u>	<u>129,501</u>	<u>1,271,399</u>	<u>32,981</u>	<u>-</u>
Revenue notes:									
Sewer	Jul 10, 2001	1.750%	1,210,000	\$ 541,000	-	68,000	473,000	9,468	-

See accompanying independent auditors' report.

City of Logan
Note Maturities
June 30, 2015

Year Ending June 30,	General Obligation Notes										Revenue Notes	
	Aquatic Center			Aquatic Center			Truck			Sewer		
	Issued Sept 15, 2008			Issued Feb 19, 2009			Issued Jul 7, 2010			Issued July 10, 2001		
	Interest Rates	Amount		Interest Rates	Amount		Interest Rates	Amount	Total	Interest Rates	Amount	
2016	1.904% \$	95,637		1.904% \$	31,489		4.75% \$	12,000 \$	139,126	1.75%	\$ 71,000	
2017	1.904%	97,466		1.904%	32,091		-	-	129,557	1.75%	74,000	
2018	1.904%	99,331		1.904%	32,705		-	-	132,036	1.75%	77,000	
2019	1.904%	101,231		1.904%	33,330		-	-	134,561	1.75%	80,000	
2020	1.904%	103,168		1.904%	33,968		-	-	137,136	1.75%	84,000	
2021	1.904%	105,141		1.904%	34,618		-	-	139,759	1.75%	87,000	
2022	1.904%	107,153		1.904%	35,280		-	-	142,433	-	-	
2023	1.904%	109,203		1.904%	21,666		-	-	130,869	-	-	
2024	1.904%	111,292		-	-		-	-	111,292	-	-	
2025	1.904%	74,630		-	-		-	-	74,630	-	-	
		<u>\$ 1,004,252</u>			<u>\$ 255,147</u>			<u>\$ 12,000</u>	<u>\$ 1,271,399</u>		<u>\$ 473,000</u>	

See accompanying independent auditors' report.

City of Logan
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds
For the Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Receipts:										
Property and other city taxes	\$ 644,259	690,524	670,981	744,612	567,368	559,848	566,030	559,945	542,605	556,726
Tax increment financing collections	-	-	-	-	85,735	81,675	-	-	-	-
Licenses and permits	5,167	3,728	4,299	8,143	6,677	5,556	5,175	6,556	3,622	4,457
Use of money and property	10,069	9,917	9,652	11,763	13,032	13,211	16,033	23,677	16,589	17,425
Intergovernmental	353,430	330,847	192,142	169,374	418,639	181,180	289,823	149,540	144,177	140,722
Charges for service	86,259	97,522	94,452	89,691	143,822	160,864	103,713	108,441	103,137	35,042
Special assessments	-	45	147	1,037	2,451	1,510	94	728	677	179
Miscellaneous	137,256	165,914	67,294	135,876	204,120	117,494	193,914	257,163	186,316	97,326
Total	\$ 1,236,440	1,298,497	1,038,967	1,160,496	1,441,844	1,121,338	1,174,782	1,106,050	997,123	851,877
Disbursements:										
Operating:										
Public safety	\$ 237,643	241,604	209,156	217,522	247,421	213,796	192,514	204,532	181,936	207,762
Public works	329,761	225,867	190,698	267,952	245,292	233,078	274,346	291,764	208,141	259,961
Health and social services	4,850	4,375	4,850	4,670	4,490	4,400	4,350	4,200	4,200	4,000
Culture and recreation	306,938	213,300	226,190	217,482	229,792	347,786	135,905	194,703	141,513	122,520
Community and economic development	186,991	170,059	30,609	11,343	172	1,382	1,458	2,050	2,736	11,356
General government	165,467	147,810	105,885	215,233	111,888	109,258	117,979	109,151	104,123	103,801
Debt service	162,482	162,989	160,377	259,819	261,842	244,918	179,484	130,394	128,156	108,429
Capital projects	-	-	-	-	170,548	516,680	1,964,387	144,385	-	-
Total	\$ 1,394,132	1,166,004	927,765	1,194,021	1,271,445	1,671,298	2,870,423	1,081,179	770,805	817,829

See accompanying independent auditors' report.

City of Logan



Diane McGrain, CPA
Jim Menard, CPA

September 14, 2015

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, and each major fund of the City of Logan, Iowa, as of and for the year ended June 30, 2015, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated September 14, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Logan's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing an opinion on the effectiveness of City of Logan's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Logan's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Logan's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

Continued...

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City of Logan
Independent Auditors' Report on
Internal Control and Compliance and Other Matters

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Logan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Logan's Responses to Findings

City of Logan's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. City of Logan's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

We would like to acknowledge the many courtesies and assistance extended to us by personnel and the city clerk of the City of Logan during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schroer & Associates, PC

City of Logan
Schedule of Findings
Year Ended June 30, 2015

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The following functions are performed by the same person:

City – Cash receipts listing, bank deposits, and posting of cash receipts to cash receipts journal.

Library – Cash receipt listing, bank deposits and reconciling, cash disbursements, check writing and reconciling.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Logan
Schedule of Findings
Year Ended June 30, 2015

Part II: Other Findings Related to Statutory Reporting:

II-A-15 Certified Budget

Disbursements during the year ended June 30, 2015 did not exceed the amended amounts budgeted.

II-B-15 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-15 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-15 Business Transactions

Comment - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Gary Nordby, Park Board Member, Owner of G & R Nifty	Lawn care, per bid	3,783
Nikki Allen, Park Board Member, Owner of Country Hardware	Supplies	<u>6,434</u>
		<u>\$ 10,217</u>

The transactions with the Park Board Member entered into through competitive bidding does not appear to represent a conflict of interest in accordance with Chapter 362.5 of the Code of Iowa. The transactions with the other Park Board Member does appear to represent a conflict of interest since total transactions with the individual were more than \$2,500 per Chapter 362.5 of the Code of Iowa.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – We will do this.

Conclusion – Response accepted.

City of Logan
Schedule of Findings
Year Ended June 30, 2015

Part II: Other Findings Related to Statutory Reporting - Continued:

II-E-15 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-15 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-15 Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-15 Revenue Notes

No instances of noncompliance with the revenue note and bond resolutions were noted.

II-I-15 Financial Condition

Comment – At June 30, 2015, the Debt Service Fund had a deficit balance of \$2,732.

Recommendation – The City should investigate alternatives to eliminate the deficit in order to return the funds to a sound financial condition.

Response – The Debt Service Fund deficit will be eliminated with a fund transfer.

Conclusion – Response accepted.

II-J-15 Excess Balance

Comment – The balances in the Special Revenue Fund, Local Option Sales Tax Account and the Enterprise Fund, Water Account at June 30, 2015 were in excess of each of the fund's disbursements during the year.

Recommendation – The City should consider the necessity of maintaining the substantial balance, and where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

Response – The excess balances are considered necessary for the payment of future project costs. We have also reduced user rates for the coming fiscal year.

Conclusion – Response accepted.

City of Logan
Schedule of Findings
Year Ended June 30, 2015

Part II: Other Findings Related to Statutory Reporting - Continued:

II-K-15 Local Option Sales Tax

Comment – The provisions of the ballot authorizing the collection of local option sale tax specify that these receipts are to be spent 100% on infrastructure. During the year, the City used the cash received for police equipment which appears to be in violation of the ballot provisions.

Recommendation – The City should spend these monies in accordance with the provisions of the ballot.

Response – Police equipment was deemed “community betterment” and community betterment was part of the language on our ballot.

Conclusion – Response acknowledged.